# Flood Insurance program Flood Insurance Agent Field Guide



# **Protect your clients. Build your business.**

Every licensed property insurance agent can sell flood insurance through the National Flood Insurance Program (NFIP)—and everyone needs some form of coverage. However, flood insurance is a unique product and requires considerable product knowledge.

That's why FEMA and its NFIP have prepared this field guide for new and experienced agents. This guide will help you learn to "speak flood" with your clients—from explaining flood risk to combating common flood insurance misconceptions.

# **Agents: Why sell flood insurance?**

Just like homeowners, renters, life, and auto insurance, flood insurance is an important part of your portfolio to protect your clients while building your business. Help new and current clients understand how they could benefit from including flood insurance in their coverage.

### **Protect your customers.**

If it can rain, it can flood. In fact, people outside high-risk flood areas filed more than 40% of all NFIP flood insurance claims between 2015 and 2019. Only flood insurance helps your clients rebuild their homes and businesses after flood damage.

## Protect your business.

Your clients trust you to keep them informed about the protection they need and offer that protection. The top two Errors and Omissions (E&O) are not offering coverage and not offering the right amount of insurance. You can protect yourself from possible E&O-related lawsuits.

After providing clients with information about flood insurance, if they still choose to reject the coverage, many agents will have them sign a waiver to record their answer. Sample waiver language can be found in the resource library at Agents.FloodSmart.gov.

"I never imagined that a little creek that's normally a few inches deep would come up over the banks and into the house. I would have lost everything I've been working for all these years but having flood insurance saved my life."

Marty Severson, Flood Survivor, Sparta, WI

# Risk: All about flood risk.

It only takes a sudden spring storm, a hurricane off the coast, or melting snow for a little nearby creek or river two football fields away to flood a home or business.

Flooding is the most expensive natural disaster across the country and it can happen anywhere. That's why it's important you tell your customers about flood insurance coverage.

### How does NFIP define a flood?

We all know a flood when we see one. The official definition from the NFIP is:

A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area, or of two or more properties (at least one of which is your property).

# The NFIP explains the cause of a flood in four ways:

- Overflow: Storm surge can cause an overflow of inland or tidal waters.
- Runoff: Heavy rainfall in a short period of time can overwhelm the drainage or absorption capabilities of an area.
- Mudflow: Heavy or sustained rainfall can accumulate and form a river of liquid and flowing mud down a hillside.
- Erosion: The overflow of a body of water can cause shorelines to wear away or collapse suddenly.

# **Coverage: What's covered and what's not.**

Many property owners do not find out until it's too late that their homeowners insurance policies do not cover flooding. The NFIP offers a separate policy that protects your client's single most important financial asset: their home or business.

The NFIP pays for direct physical loss by or from a flood. Your client can insure their home for up to \$250,000 for the building and up to \$100,000 for the contents. They can insure their commercial property for up to \$500,000 for the building and \$500,000 for the contents.

Building coverage can include permanent items such as plumbing and electrical systems; HVAC systems; water heaters; refrigerators, stoves, and built-in dishwashers; and debris removal. Personal property coverage can include clothing, furniture, electronics, and appliances that are not permanently installed like portable microwaves and air conditioners.

For more information about coverage and exclusions, refer to the NFIP's Summary of Coverage or visit FloodSmart.gov/ flood-insurance/coverage.





# **Costs: Making coverage affordable.**

Compared to the cost of even a minor flood, flood insurance can provide peace of mind.

### Working with a homeowner or business owner?

Provide a quote for contents and building coverage. Homeowners flood insurance policies can cost less than \$2 a day.

### **Working with renters?**

Provide a quote for contents only coverage. Let them know their landlord may have flood insurance to protect the building, but not their belongings. With contents coverage they can protect items like furniture, computers, and electronics. Policies start at less than \$100 per year.

The **NFIP Flood Insurance Manual** details more information, including estimates for business owners and clients living in high-risk flood areas.

# **Working with clients: Talking points** and FAQs.

Clients don't always think about flooding. You can help make them aware of their risk and prepare for the financial and emotional costs of flooding—they'll be thankful you did.

Here's what clients need to know when it comes to purchasing flood insurance to protect the lives they've built:

- · Get flood insurance now. Don't wait until disaster strikes to realize you're not covered. In most cases, it takes 30 days after purchase for a policy to take effect.
- Flooding can happen anywhere at any time. Even if you don't live near water, your home is still at risk of flooding from changing conditions such as construction projects, surface erosion, or natural events.
- · No matter your flood risk, you should purchase flood **insurance.** The only requirements are that your community participates in the NFIP and your property qualifies for coverage. To find out if your community participates, visit: FEMA.gov/national-flood-insurance-program-communitystatus-book.
- · If you are in a high-risk area, insurance may be mandatory. Flood Insurance is required if you carry a mortgage from a federally regulated or insured lender. If you have concerns about cost, there are some measures homeowners can take—such as mitigation—that can lower your annual premiums. Learn more about how to help your clients pay less: FloodSmart.gov/costs/how-can-i-payless-for-my-flood-insurance.
- · Securing flood insurance is a crucial step to protecting the life you've built. Just one inch of water in an averagesized home can cause \$25,000 in damage.

"What motivates me to sell flood insurance is when something really bad happens and someone does have a claim, I can go to them and say, 'This is the reason why we put these policies in place, it's okay, let's start the claims process."

Paulo Pires, Flood Insurance Agent, Houston, TX

# Overcoming common client misconceptions.

No matter how strong the talking points or how good the sales pitch, some clients will raise objections to purchasing flood coverage. This could be due to misconceptions about what is already covered in their homeowners insurance policy or their understanding of local flood risk.

Agents are a crucial resource to identify and correct these common misconceptions:

# Client: If my property is flooded, I can rely on disaster assistance to bail me out.

You: Disaster assistance is minimal and not sufficient for full flood recovery. These funds are only available when the president declares a disaster. Also, disaster assistance comes in two forms: U.S. Small Business Administration loans, that must be paid back with interest, or a federal grant, which is about \$5,000 on average per household. By comparison, the average flood claim in 2017 was more than \$90,000.

### Client: My house is on a hill, so water drains away. I'm safe.

You: Your risk may be reduced, but it's not eliminated. If your community's stormwater drainage system clogs or fails, flooding from heavy rain or melting snow could cause damage to your home and contents. Don't wait until flooding happens to realize you're not covered.

# Client: My area has never flooded, so I've got history on my side.

You: Conditions change. What's happened in the past is no guarantee of what will happen in the future. Flooding can happen anywhere, at any time, regardless of the designated flood risk. Nearby construction can alter drainage patterns, and rainfall can exceed yearly averages. In addition, nearby community stormwater drains can quickly back up during heavy rains, causing flooding in your neighborhood.

You can find more talking points, common myths, statistics, and detailed resources at Agents.Floodsmart. gov.









Visit <u>Agents.FloodSmart.gov</u> to download tools, tips, and resources, or to order free copies of FEMA publications.

There, you'll also find co-branded, comprehensive, and user-friendly materials for you, your team, and your clients, including materials on Flood Insurance 101, Interactive "Cost of Flooding" tool, Map Update Resource Library, and other marketing products.

To learn more about the NIFP visit <u>FloodSmart.gov</u>, or call the NFIP at 877-336-2627.

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